



## GOVERNOR'S TRANSACTION PRIVILEGE TAX SIMPLIFICATION TASK FORCE MINUTES

Tuesday, July 23, 2012

1:30 PM

1700 W. Washington, Governor's 2<sup>nd</sup> Floor Conference Room  
Phoenix, Arizona 85007

A public meeting of the Transaction Privilege Tax Simplification Task Force was convened on July 23, 2012 in the 2<sup>nd</sup> Floor Conference Room, 1700 West Washington, Phoenix, Arizona 85007. Notice having been duly given. Present and absent were the following members of the Task Force.

### Members Present

Michael Hunter (Chair)	Linda Stanfield
John Olsen	Keely Hitt
Miguel Teposte	Lynne Herndon
Tom Belshe	Vince Perez
Kevin McCarthy	Senator John McComish
Steve Barela	Representative Rick Gray

### Members Absent

No members were absent.

### Staff Present

Lorna Romero, Governor's Office  
Lindsay Scornavacco, Governor's Office  
Jennifer Solis, Department of Revenue

### 1. Call to Order

Michael Hunter called the meeting to order at 1:30 p.m.

### 2. Welcome & Introductions

Mr. Hunter welcomed everyone to the Transaction Privilege Tax Simplification Task Force and introduced the Task Force and its members to the public. Members of the Task Force introduced themselves.

### 3. Presentation: Overview of Arizona's Tax System

Alan Maguire presented an overview of Arizona's Tax Structure from 1980 to present day. This presentation covered Arizona General Fund tax revenues, combined state and local taxes and reasons for an upward shift toward the transaction privilege tax. Mr. Maguire presented that over time TPT/Sales Taxes have increased as a share of tax revenues, along with personal income taxes, while corporate income taxes and property taxes have decreased. He also explained that Arizona in comparison to California, Colorado, Nevada, New Mexico and Texas had high TPT taxes as a

percentage of shared tax revenues and low property taxes as a percentage of shared tax revenues. He explained that this shift is partially due to the fact that having a broad based tax is a significant revenue generator.

#### **4. Presentation: TPT 101**

Christie Comanita presented the foundation behind the transaction privilege tax. Ms. Comanita explained that Arizona's transaction privilege tax is a tax on the privilege of engaging in business in the state and is not a true sales tax. She presented that in 1989 there were 45 deductions or exemptions under the retail classification and that today there are 98 deductions or exemptions. There are 16 classifications, of which retail is only one.

Elaine Smith took over the presentation and presented the dollar amounts and percentages of the transaction privilege tax's contribution to the General Fund. Ms. Smith presented on the range of program and non-program cities in the state. Non-program cities are those that do not have an agreement with the Department of Revenue. She also explained how the transaction privilege tax is distributed among the counties and cities.

Kevin McCarthy asked how many class codes there are and if they existed at the county level. Ms. Smith responded that there are 366 class codes and they are always at every level.

Mr. Hunter repeated that there are now 98 deductions or exemptions and questioned if many of these came from when a taxpayer has been in dispute of whether an innovation is taxable or not.

Ms. Comanita responded that the scenario was a part of the narrative and elaborated that those deductions and exemptions are only under the retail classification. She further explained that if one were to look at all 16 business classifications there are a couple hundred deductions and exemptions.

#### **5. Model City Tax Code vs. State Statute**

Lee Grafstrom presented a summary of the bases differences between the Model City Tax Code and A.R.S. Title 42. Mr. Grafstrom covered the base differences from the State, the definitional differences from the State and ongoing cleanup efforts of the Model City Tax Code, including Green Page elimination. He detailed the online portal project put into effect by H.B. 2466.

Mr. Grafstrom expressed he hopes that he along with Mr. McCarthy and Vince Perez will be able to create an exhaustive list of minor definitional changes.

Mr. McCarthy expressed he wishes the portal online to be used to pay multiple cities simultaneously.

Steve Barela asked if this portal would accommodate large taxpayers.

Mr. Grafstrom responded that three of the four vendors he had spoken to say this portal has the capability and is the easiest way for large taxpayers to file. He continued that this portal will not eliminate the need for online opportunities for individual cities, as a lot of taxpayers do not need to file in all 18 cities.

Mr. McCarthy clarified that the Model City Tax Code was created in response to criticisms that

there was no uniformity and that it was not created to establish uniformity. The Model City Tax Code was a repository of liabilities.

## **6. Future Meetings and Working Group Assignments**

The Chair outlined that future meetings will cover the following:

- Model City Tax Code definitional issues
- Reports from working groups
- H.B. 2466 and its deadlines
- The licensing process
- Online retail

Mr. Hunter then assigned the chairmen of the three working groups:

- Pat Irvine will chair the Definitions Working Group.
- Craig McPike will chair the Prime Contracting Working Group.
- Dennis Hoffman will chair the Online Retail Working Group.

## **7. Call to the Public**

No members of the public signed in to speak to the agenda.

## **8. Adjournment**

The Chair thanked everyone for attending the meeting. The meeting adjourned at 3:49 p.m.